

positively

**Department of Employment
and Economic Development**

Minnesota

***Strengthening the Links
in the Supply Chain***

ACCRA Annual Conference

June 8, 2006

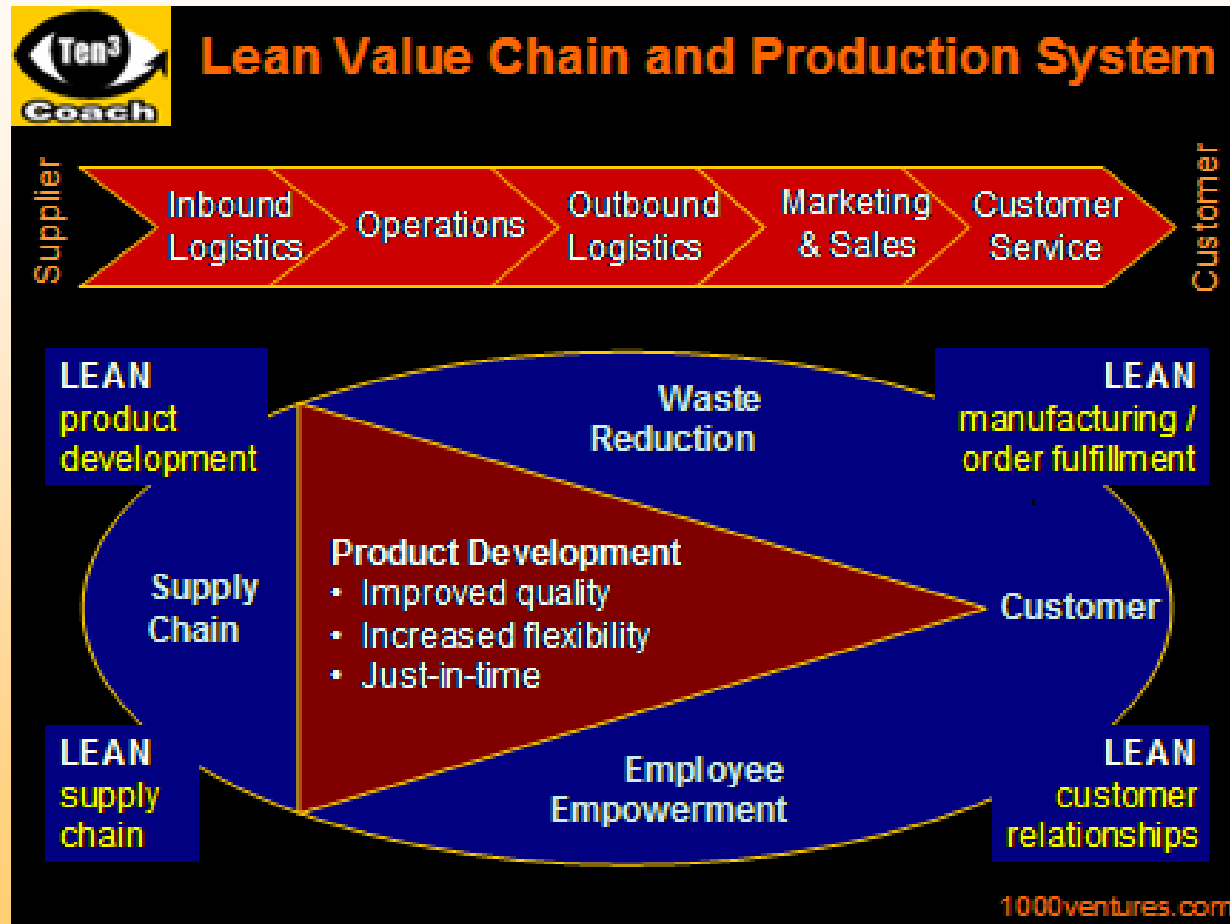
Bob Isaacson

Director, Analysis and Evaluation

Supply Chain 101

“A network of facilities and distribution options that procures materials, transforms the materials and then distributes finished products to customers”

Graphically Speaking...



Supply Chain-Related Efforts

- Supplier identification
- Transportation
 - Freight planning
 - Aviation system planning
 - Railroad program
 - Transit Coordination
 - Truck Weight proposals
 - Interstate anniversary
- Regional Distribution Center/IEDZ
- Local/regional discussions with MnDOT district offices
- Minnesota Technology training and assistance

Integrated Operation

- Changing supplier-OEM relationship
 - Cooperative environment
 - Collaborative goals
- More than just product/service delivery
 - Product development
 - Technology
 - Productivity
 - Quality
 - Strategy

Project Theme

Discuss supplier performance with OEMS



Use input to enhance supplier performance



Benefit OEMs, suppliers and economy

Workplan

- Identify companies
- Make contact
- Team meets with company
- Document responses to questions
- Follow-up actions?

Participating Companies

13 world-class companies, including:



Interview Insights

- Background
- Selection
- Performance & Performance
- Development

Supplier Overview

- Consolidating supplier groups
- Minnesota share of inputs varies widely, but generally falling
- Many see value of Minnesota suppliers

Economic Changes

- Product shifts
- Faster, reliability
- Global sourcing and total delivered costs
- Lean principles/JIT inventory controls
- Shipment consolidation

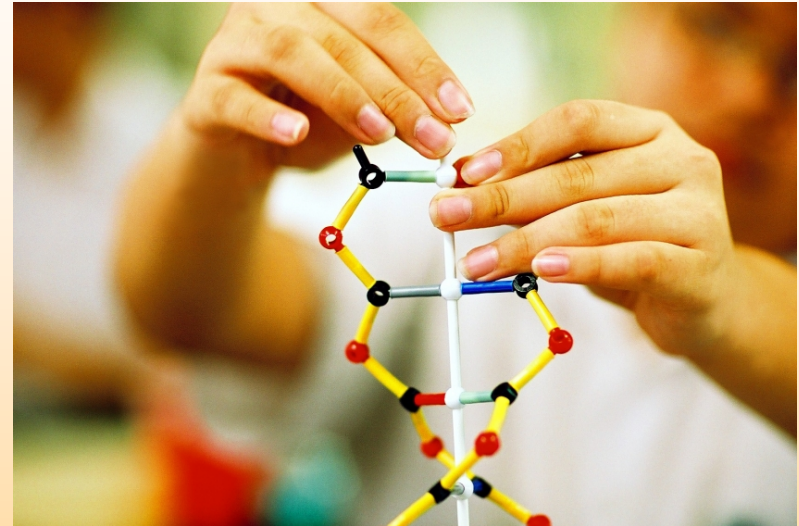


Supplier Selection

- Decision rests on core competencies...then
 - Total costs
 - Quality processes
 - Technology
 - Location
 - Other factors

The Great Equalizers

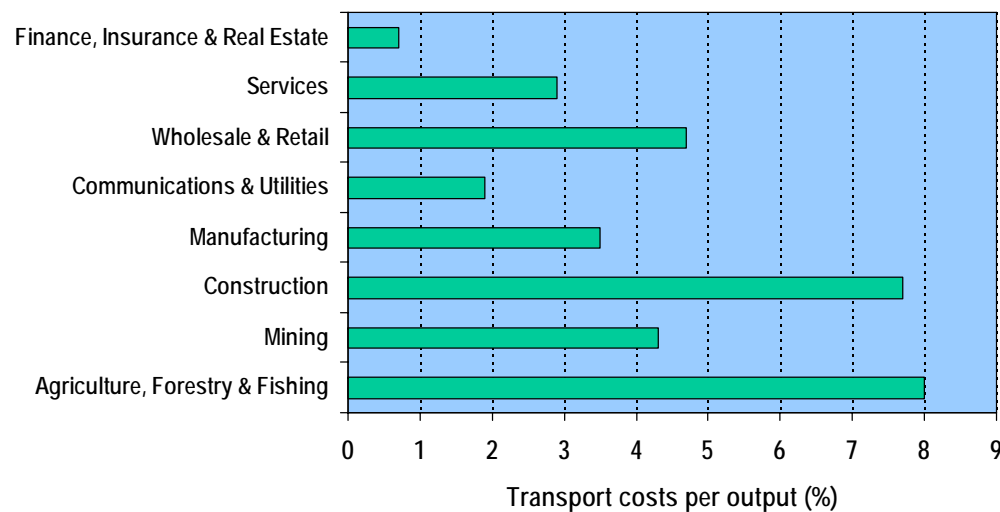
- Telecommunications
- Worker skills
- Technology and innovation



Logistics is a competitive advantage or liability

Transportation Costs

Transport Costs as a Share of Output



Source: Jean-Paul Rodrigue, Dept. of Economics & Geography, Hofstra University.

Supplier Evaluation & Performance

- Prefer to work with suppliers than find new one
- Close relationship is key to success
- Most have standardized tool, other use informal methods

Minnesota Supplier Performance

- General satisfaction with Minnesota vendors
- Need presence of some industries
- Concerns with U.S. suppliers

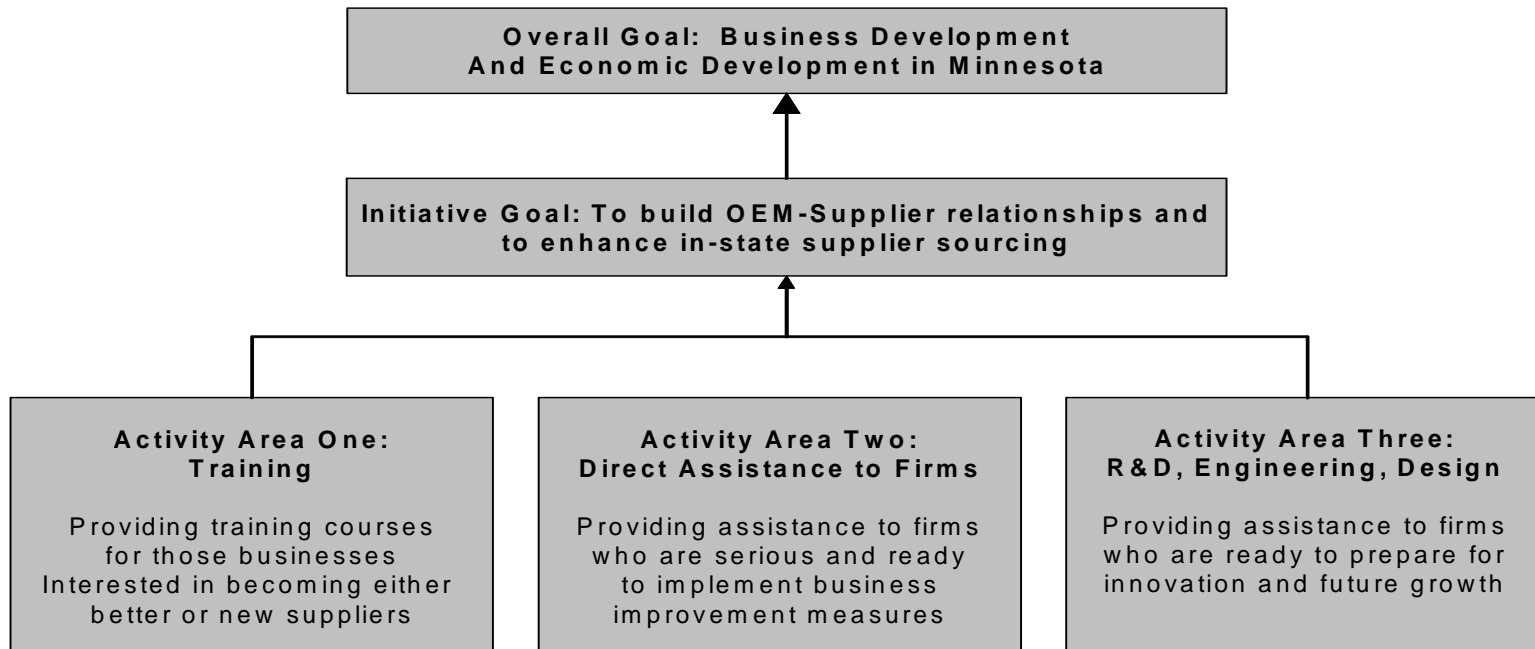
Supplier Development

- Nearly every company employs a plan
- Tools
 - Scorecards
 - Materials
 - Training
 - Related assistance

Supplier Consortium

- Nearly every company was interested
- Should look to partner with supply chain organizations
- Sharing supplier lists and training information
- Discounts for purchasing and shipping

Supplier Development Initiative



Minnesota Opportunities

- Benefits of Minnesota suppliers
- Prefer Minnesota suppliers
- Good models exist
 - Suppliers
 - Quality
- Innovation heritage
- Willing partnerships

*Improved supplier performance good for all
current and potential customers*

Thank You



PositivelyMinnesota.com

Bob.Isaacson@state.mn.us